

FISCAL MEMORANDUM

HB 1587 – SB 2084

May 8, 2007

SUMMARY OF AMENDMENT (008056): Deletes the language of the original bill. Expands the definition of “qualified associated development (QAD),” as it applies to Convention Center and Tourism Financing law, to include recreational facilities and schools, and developments leased by municipalities or public building authorities. Expands the definition of “qualified public use facility (QPUF),” to include two (2) adjacent buildings, complexes, centers, or facilities. Authorizes investments in qualified public use facilities required by a lease from a municipality to be considered a local investment of public funds, for the purpose of meeting local investment of public funds requirements. Authorizes any county with a population exceeding 500,000 (Shelby and Davidson) to be eligible for more than one tourism development zone (TDZ).

FISCAL IMPACT OF ORIGINAL BILL:

Decrease State Revenues:

\$23,644,000 / General Fund – FY07-08
\$53,029,000 / Education Fund – FY07-08
\$299,000 / Department of Revenue – FY 07-08
\$748,000 / Sinking Fund – FY07-08
\$77,720,000 – Total Decrease in FY07-08

\$47,288,000 / General Fund – FY08-09
\$106,058,000 / Education Fund – FY08-09
\$599,000 / Department of Revenue – FY08-09
\$1,496,000 / Sinking Fund – FY08-09
\$155,441,000 – Total Decrease in FY08-09

Decrease Local Govt. Revenues – \$3,741,000 – FY07-08
\$7,482,000 – FY08-09

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Increase Local Govt. Revenues –

Exceeds \$5,000,000 – 100% would be earmarked for debt service on qualified public use facilities. Approximately \$3,800,000 of this would be apportioned from the state.

Other Fiscal Impact – The fiscal impact of this bill as amended is dependent upon multiple unknown factors such as the number and scope

of new and/or renovated qualified associated developments and qualified public use facilities that would be constructed following passage of this legislation. If any such construction or renovation is contingent upon passage of this legislation, then foregone state revenues is anticipated. If such construction or renovation would occur regardless of the outcome of this legislation, then a decrease to state revenues would be expected. Any such decrease or forgone state revenues is estimated to exceed \$3,800,000 per year.

Assumptions applied to amendment:

- Municipalities or public authorities that finance, construct, lease, equip, renovate, or acquire a QPUF within a TDZ are eligible for additional apportionments of state and local sales and use tax revenue in order to pay indebtedness on any such QPUF. Such apportionment is based on the incremental taxable sales that will occur within the TDZ.
- This bill as amended authorizes Shelby County to have more than one TDZ. Currently, Davidson County is the only county authorized to have more than one TDZ. As a result, Shelby County and/or the City of Memphis could receive additional apportionments of state sales tax revenues that would be earmarked for paying indebtedness on any QPUF constructed or renovated within any such TDZ.
- A precise fiscal estimate cannot be determined for this bill as amended due to multiple unknown factors such as the number and scope of any forthcoming developments, the potential for incremental taxable sales that would occur as a result of any new developments, the extent of debt to construct any such development, and the number of counties that may qualify for an additional TDZ in the future.
- According to the Department of Revenue, at least \$5.0 million in future state and local sales tax revenues would be diverted for debt service on any such QPUF (at least \$3.8 million in state revenue and at least \$1.2 million in local government revenue).
- If any such QPUF is leased to a private entity, the local government responsible for the debt on the QPUF could experience an increase in revenue equivalent to the amount of negotiated in-lieu of property tax payments. The amount of such payments cannot be estimated due to multiple unknown factors.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

/rnc

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